



**gregory industries limited**

**ANNUAL REPORT**

**1976**

# **gregory industries limited**

## **Directors:**

WILLIAM E. DONNELLY\*, Vice-President, Cornat Industries Limited, Vancouver, B.C.  
W. GRANT GERRARD\*, Secretary Treasurer, Gregory Industries Limited, Vancouver, B.C.  
PETER J. GREGORY, Chairman of the Board, Gregory Industries Limited, Vancouver, B.C.  
CYRIL H. MACRAE\*, Retired, Vancouver, B.C.  
GEORGE L. MALPASS, President, Gregory Industries Limited, West Vancouver, B.C.  
JOHN P. SULLIVAN, Mill Manager, Acorn Forest Products Ltd., Vancouver, B.C.

*\* Member of Audit Committee*

## **Officers:**

PETER J. GREGORY, Chairman of the Board and Chief Executive Officer  
GEORGE L. MALPASS, President and Chief Operating Officer  
W. GRANT GERRARD, Secretary-Treasurer and Chief Financial Officer

## **Registrar and Transfer Agent:**

THE CANADA TRUST COMPANY, Vancouver, B.C.

## **Shares Listed:**

VANCOUVER STOCK EXCHANGE

## **Banker:**

THE ROYAL BANK OF CANADA

## **Solicitors:**

McTAGGART, ELLIS & COMPANY, Vancouver, B.C.

## **Auditors:**

PEAT, MARWICK, MITCHELL & CO., Vancouver, B.C.

## **Head Office:**

1283 - 595 Burrard Street,  
P.O. Box 49172, Bentall Centre,  
Vancouver, B.C. V7X 1K8

## **Registered Office:**

Ste. 800 - 885 Dunsmuir Street,  
Vancouver, B.C. V6C 1P2

## **Wholly Owned Subsidiary Companies:**

ACORN FOREST PRODUCTS LTD., Delta, B.C. & Whitehorse, Yukon  
ANACORTES LUMBER INC., Anacortes, Washington, U.S.A.  
FIELD SAWMILLS LTD., Courtenay, B.C.  
GREGORY PANELING LIMITED, Burnaby, B.C.



## DIRECTORS' REPORT

To The Members:

Sales for the year ended December 31, 1976, were \$11,502,606 compared with \$6,084,535 for the previous year 1975, an increase of 90%. The net loss for 1976 was \$149,972 (15¢ per share) compared with a net loss, before the write down of our investment in the Yukon, of \$485,056 (47¢ per share) in 1975. The cash flow from operations was \$35,925 in 1976 compared with a deficiency of \$409,120 in the previous year, 1975.

During 1976 the Company continued its reorganization to make it less dependent on the U.S. stud lumber market. Recently Mr. George L. Malpass who has been associated with the company for over 10 years and previously the Vice-President, was appointed President to carry on the reorganization program and to consolidate the Company's existing operations.

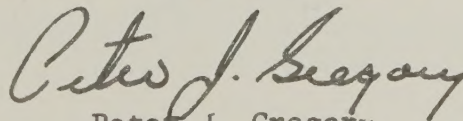
The Company's sawmill in Courtenay, Field Sawmills Ltd. made the largest contribution to income during 1976 justifying the many improvements made by its management since acquired by the Company only three years ago. Unfortunately the plant had to write off almost \$100,000 worth of wood chips during the year because of the lack of a sufficient market. Acorn Forest Products Ltd., the Company's stud mill in Delta was in a profitable position during the latter months of the year after experiencing losses in the first half. The main reason for the overall operating loss in 1976 was Gregory Paneling Limited's performance during the year. The financial results of this company, to date, have been very disappointing. Higher than anticipated raw material costs and slower markets have resulted in substantial losses. Unless there is a marked improvement in the next few months we will have to consider the advisability of continuing on with this operation.

The Company's sawmill in the Yukon, closed since 1974, caused a drain on income during 1976 to keep it secure. This investment in the Yukon was written down in 1975 and is expected to be sold during 1977. Plans for the Company's proposed new plant in Anacortes, Washington, are still being held up pending site preparation by the City of Anacortes.

As at December 31, 1976 the Company employed 221 people whose 1976 wages, salaries and benefits totaled \$3,444,148 compared with 202 people and \$2,694,183 in wages, salaries and benefits for the previous year.

The outlook for 1977 is much improved over 1976. The Company will operate profitably for the first quarter of 1977. The results for the balance of 1977 will depend on continuing strong markets for the Company's products and no prolonged production curtailment due to strikes or lockouts during the forthcoming industry labour negotiation.

Respectfully submitted on behalf of the Board

  
Peter J. Gregory,  
Chairman.



# Gregory Industries Limited

INCORPORATED IN CANADA

To The Shareholders

During the year ended December 31, 1976, Gregory Industries Limited ("Gregory") reported a net income of \$1,434,183, compared with a net loss of \$1,434,183 in 1975. The net loss for 1975 was due to the fact that the company was in the process of reorganizing its operations and was unable to generate sufficient income to cover its operating expenses.

The company's operations during the year ended December 31, 1976, were characterized by a significant increase in sales and a corresponding increase in operating income. This was due to the company's successful implementation of its reorganization plan and its ability to secure new contracts with its customers.

The company's financial position at the end of the year ended December 31, 1976, was strong, with a total assets of \$1,434,183 and a total liabilities of \$1,434,183. This was a significant improvement over the company's financial position at the end of the year ended December 31, 1975, when the total assets were \$1,434,183 and the total liabilities were \$1,434,183.

The company's management is pleased with the results of its operations during the year ended December 31, 1976, and believes that the company is well positioned to continue its growth and expansion in the future. The company's management is committed to providing its shareholders with a return on their investment and to maintaining a strong financial position.

The company's management is also committed to providing its customers with high quality products and services. The company's management believes that this is the best way to ensure the company's long-term success and to provide a return on its shareholders' investment.

The company's management is also committed to providing its employees with a safe and healthy work environment. The company's management believes that this is the best way to ensure the company's long-term success and to provide a return on its shareholders' investment.

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[https://archive.org/details/Greg1779\\_1976](https://archive.org/details/Greg1779_1976)

# PEAT, MARWICK, MITCHELL & Co.

CHARTERED ACCOUNTANTS

Suite 2100, One Bentall Centre  
505 Burrard Street  
Vancouver, British Columbia  
V7X 1M1

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Gregory Industries Limited as at December 31, 1976 and the consolidated statements of earnings and earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia, Canada  
March 4, 1977

*Peat, Marwick, Mitchell & Co.*

Chartered Accountants





## GREGORY INDUSTRIES LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheet

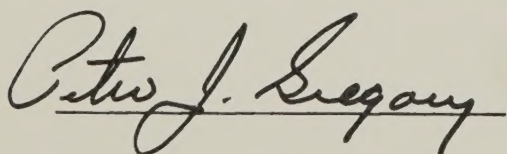
December 31, 1976

(With comparative figures for 1975)

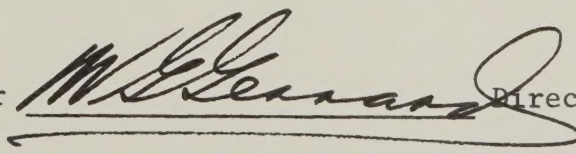
	<u>1976</u>	<u>1975</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 22,315	-
Accounts receivable	1,235,029	1,125,815
Inventories (Note 2)	1,609,217	1,687,428
Prepaid expenses and deposits	<u>171,836</u>	<u>112,716</u>
Total current assets	3,038,397	2,925,959
Investments, at cost	34,317	42,818
Property, plant and equipment (Note 3)	<u>1,790,382</u>	<u>1,924,169</u>
	\$ <u>4,863,096</u>	<u>4,892,946</u>
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Bank indebtedness (Note 4)	\$ 968,367	1,093,088
Accounts payable and accruals	1,417,281	959,581
Income and logging taxes payable	15,738	-
Long-term debt due within one year	<u>192,211</u>	<u>213,722</u>
Total current liabilities	2,593,597	2,266,391
Long-term debt (Note 5)	682,489	889,573
Shareholders' equity:		
Share capital:		
Common shares of no par value. Authorized		
2,040,000 shares; issued 1,030,928 shares	400,214	400,214
Earnings reinvested in the business (Note 6)	<u>1,186,796</u>	<u>1,336,768</u>
Total shareholders' equity	1,587,010	1,736,982
Commitments (Note 7).	<u>                    </u>	<u>                    </u>
	\$ <u>4,863,096</u>	<u>4,892,946</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director





GREGORY INDUSTRIES LIMITED AND SUBSIDIARIES

Consolidated Statement of Earnings and Earnings Reinvested in the Business

Year ended December 31, 1976

(With comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Sales	\$ 11,502,606	6,084,535
Expenses and charges:		
Cost of lumber sold	10,002,819	5,215,520
Selling and administration	1,147,630	1,201,334
Depreciation and amortization	280,182	211,814
Amortization of deferred expenses	-	30,000
Interest on long-term debt	118,683	110,128
Other interest (income)	97,929	(29,127)
(Gain) on disposal of property, plant and equipment	<u>(10,403)</u>	<u>(8,965)</u>
	<u>11,636,840</u>	<u>6,730,704</u>
Loss before income taxes and extraordinary items	134,234	646,169
Income taxes:		
Current	99,620	3,357
Reduction in deferred income taxes	<u>-</u>	<u>(164,470)</u>
	<u>99,620</u>	<u>(161,113)</u>
Loss before extraordinary items	233,854	485,056
Extraordinary items (Note 8)	<u>(83,882)</u>	<u>82,192</u>
Net loss for the year (Note 9)	149,972	567,248
Earnings reinvested in the business at beginning of year	<u>1,336,768</u>	<u>1,904,016</u>
Earnings reinvested in the business at end of year (Note 6)	\$ <u><u>1,186,796</u></u>	<u><u>1,336,768</u></u>

See accompanying notes to consolidated financial statements.





GREGORY INDUSTRIES LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1976

(With comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Funds provided:		
Long-term debt financing	\$ 3,278	628,644
Proceeds from disposal of property, plant and equipment	46,791	53,850
Income taxes recoverable on application of prior years' losses	<u>83,882</u>	<u>-</u>
Total funds provided	<u>133,951</u>	<u>682,494</u>
Funds applied:		
To current operations:		
Loss before extraordinary items	233,854	485,056
Less items not involving funds	<u>269,779</u>	<u>75,936</u>
Funds applied to (provided by) current operations	(35,925)	409,120
Purchase of property, plant and equipment	182,783	859,949
Reduction of long-term debt	210,362	232,607
Increase (reduction) in investments	(8,501)	31,117
Other	<u>-</u>	<u>25,016</u>
Total funds applied	<u>348,719</u>	<u>1,557,809</u>
Decrease in working capital	214,768	875,315
Working capital at beginning of year	<u>659,568</u>	<u>1,534,883</u>
Working capital at end of year	\$ <u><u>444,800</u></u>	<u><u>659,568</u></u>

See accompanying notes to consolidated financial statements.





GREGORY INDUSTRIES LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1976

1. Significant accounting policies:

Principles of consolidation:

The consolidated financial statements include the accounts of the company and all its subsidiaries:

Operating subsidiaries:

Acorn Forest Products Ltd.

Gregory Paneling Ltd.

Field Sawmills, Ltd.

Non-operating subsidiary:

Anacortes Lumber, Inc.

All material inter-company transactions have been eliminated.

Inventories:

Inventories are valued at the lower of cost and net realizable value.

Cost is determined on the first-in, first-out (FIFO) basis.

Depreciation:

Depreciation on property, plant and equipment has been recorded on the straight-line method over their estimated useful lives using the following rates:

Buildings, yards and dock	5%
Mill and office equipment and booming grounds improvements	10%
Automotive equipment and boom boats	20%

Additions and betterments are capitalized and expenditures for maintenance and repairs are charged to expense. When depreciable assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

Income taxes:

The company follows the tax allocation basis of accounting for income taxes. Taxes deferred to future years as a result of claiming for tax purposes amounts different from those recorded in the accounts are charged against current earnings and are recorded in the balance sheet as deferred income taxes. At December 31, 1976 the timing differences of \$626,000 were wholly covered by available losses and no reserve for deferred taxes was required.

2. Inventories:

Inventories are classified as follows:

	<u>1976</u>	<u>1975</u>
Logs	\$ 364,078	409,194
Lumber	1,209,299	827,309
Chips and sawdust	<u>35,840</u>	<u>450,925</u>
	<u>\$ 1,609,217</u>	<u>1,687,428</u>





## GREGORY INDUSTRIES LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements, continued

December 31, 1976

## 3. Property, plant and equipment:

	<u>1976</u>	<u>1975</u>
At cost less depreciation and amortization:		
Buildings (including buildings on leased land)	\$ 520,067	440,357
Equipment	1,776,799	1,716,326
Leasehold improvements	<u>44,122</u>	<u>44,122</u>
	2,340,988	2,200,805
Less accumulated depreciation and amortization	<u>953,385</u>	<u>697,010</u>
	1,387,603	1,503,795
Land	<u>220,379</u>	<u>220,374</u>
	1,607,982	1,724,169
At estimated net realizable value:		
Buildings and equipment	<u>182,400</u>	<u>200,000</u>
Total property, plant and equipment	\$ <u>1,790,382</u>	<u>1,924,169</u>

## 4. Bank indebtedness:

The bank indebtedness is secured by an assignment of accounts receivable and a charge on inventories, together with a demand debenture for \$2,000,000 giving a fixed charge on all property, plant and equipment and a floating charge on all other assets.

## 5. Long-term debt:

	<u>1976</u>	<u>1975</u>
Loan agreements, repayable in monthly instalments of \$5,750 plus interest at $11\frac{1}{4}\%$ , maturing in 1981 and 1982; secured by a demand debenture of \$2,500,000 giving a first fixed charge on all property, plant and equipment and a first floating charge on all other assets of Acorn Forest Products Ltd.	\$ 379,800	448,800
Loans repayable in equal monthly instalments plus interest at 10.1% to 13.0%, maturing at various dates to 1984; secured on the following assets of Field Sawmills, Ltd.; a first mortgage on land and buildings and a debenture giving a fixed charge on all sawmill machinery and equipment and a floating charge on all other assets	361,750	424,751
Agreement payable in quarterly instalments of \$11,750 plus interest at $9\frac{1}{4}\%$	94,000	141,000
Other indebtedness and conditional sales contracts, repayable in monthly instalments, secured by charges on certain equipment	<u>39,150</u>	<u>88,744</u>
	874,700	1,103,295
Less amounts due within one year	<u>192,211</u>	<u>213,722</u>
	\$ <u>682,489</u>	<u>889,573</u>





GREGORY INDUSTRIES LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

December 31, 1976

5. Long-term debt, continued:

Maturities of long-term debt are as follows:

1978	\$ 191,000
1979	139,000
1980	121,000
1981	106,000

6. Restrictions on cash dividends:

Under the terms of the bank debenture (Note 4) and certain loan agreements (Note 5), the company is restricted from payment of dividends, unless permission of the lenders is obtained.

The company is subject to the Anti-Inflation Act and Regulations, effective as of October 14, 1975, so far as the legislation relates to dividend payments.

7. Commitments:

The company and its subsidiaries are obligated under long-term lease agreements for aggregate basic annual rentals of approximately:

1977	\$ 143,000
1978	96,000
1979	78,000
1980	37,000
1981	30,000

8. Extraordinary items:

	<u>1976</u>	<u>1975</u>
Income taxes recoverable on application of prior years' losses	\$(83,882)	-
Write-down of the net book value of buildings and equipment of Yukon sawmill division to its estimated net realizable value, determined by management	-	240,641
Unamortized pre-development and start-up expenses of Yukon sawmill division written off	<u>-</u>	<u>99,073</u>
	(83,882)	339,714
Less applicable reduction in deferred income taxes	<u>-</u>	<u>257,522</u>
	\$ <u>(83,882)</u>	<u>82,192</u>

9. Earnings per share:

	<u>1976</u>	<u>1975</u>
Loss before extraordinary items	\$ 0.23	0.47
Extraordinary loss (income)	<u>(0.08)</u>	<u>0.08</u>
Net loss for year	\$ <u>0.15</u>	<u>0.55</u>



GREGORY INDUSTRIES LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

December 31, 1976

10. Income taxes:

At December 31, 1976 the company and subsidiaries had tax losses of approximately \$1,557,000 available for the reduction of income taxes in the future. These losses will expire in the following years:

1977	\$ 13,000
1978	36,000
1979	479,000
1980	790,000
1981	239,000

11. Statutory information:

The remuneration of directors and senior officers, as defined by the British Columbia Companies Act, amounted to \$170,014 (1975 - \$164,369).







